



CONSUMER ALERT

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Department of Consumer Affairs Warns of New Law that Changes What Happens After You Write a Check

"Floating" a check will soon be a thing of the past, and bank statements may contain copies of checks instead of originals

SACRAMENTO – Your bank statement may look a little different in the coming months as financial institutions retool to modernize the way checks are processed. The California Department of Consumer Affairs wants you to be prepared for the way these changes affect you.

The changes are a part of The Check Clearing for the 21st Century Act (Check 21), a federal law that becomes effective October 28. The new law is intended to improve the efficiency of the nation's check-payment system as well as its security, using electronic imaging technology.

"Check 21 is simply an evolution of the way we do banking in this country," said Department of Consumer Affairs Director Charlene Zettel. "This new law will actually beef-up protections for consumers' money, while giving them recourse for incorrect charges to accounts."

In one of the most significant changes, funds can be transferred out of your checking account shortly after a sale is completed, whether the check is processed at a checkout register or mailed to a payment center. In other words, it will become more difficult for a consumer to write a check and then run to the bank to make a deposit in time to cover the check.

Consumers may also see differences in their bank statements. Instead of cancelled checks, a statement may contain electronic images or "substitute checks." Under the new law, valid substitutes can be used to prove that a check was written and a payment was made.

Under Check 21, consumers have a right to a faster refund if they suffer a loss related to a substitute check. The law says banks have ten business days to make a decision on a customer's claim, and consumers who have incorrect charges against their checking accounts can then receive up to \$2,500 back, with any remaining amount due within 45 days of the claim.

Consumers with questions about their checking statements should call their banks. More information can be found by visiting the Federal Reserve Web site at www.federalreserve.gov and clicking on the "Check 21" link.

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